RISK MANAGEMENT AGENCY

FY 1999 ANNUAL PROGRAM PERFORMANCE REPORT

The Risk Management Agency (RMA) was established under provisions of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), P.L. 104-127, approved April 4, 1996. This Act amended the Department of Agriculture Reorganization Act of 1994, P.L. 103-354, Title II, to require that the Secretary establish within the Department an independent office responsible for supervision of the Federal Crop Insurance Corporation (FCIC), administration and oversight of programs authorized under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.), including delivery of program services through local offices of the Department, any pilot or other programs involving revenue insurance, risk management savings accounts, or the use of the futures market to manage risk and support farm income that may be established under the Federal Crop Insurance Act or other law, and such other programs as the Secretary considers appropriate.

The mission of the Agency is to provide and support cost-effective means of managing risk for agricultural producers, in order to improve the economic stability of agriculture. RMA plans on transforming the crop insurance program into a broad-based safety net for producers to assure that American agriculture remains solid, solvent and globally competitive into the 21st century. This safety net for producers consists of many public and private alternatives designed to improve the economic stability of agriculture. RMA's portion of the safety net is supported by the Federal Crop Insurance program, Risk Management Education, and the Options Pilot Programs.

More information regarding RMA's programs can be found in the RMA Strategic and Annual Performance plans. Only federal employees were involved in the preparation of this report.

The following table provides summary information on RMA's achievement of FY 1999 Performance Goals.

RMA PERFORMANCE SUMMARY			
Strategic Goal	**FY 1999 Performance Goals**	**Performance**	
		Target	**Actual**
Goal 1: To strengthen the safety net for agricultural producers through sound risk management programs and education.	Expand risk management tools available for producers.		
	Number of insurance plans available (crop year data).	103	138
	Total crop insurance premium (dollars in thousands-crop year data).	1,808,390	2,315,000
	Percent of net cropland acres insured to net cropland acres available for insurance (crop year data).	62.9%	73%
	Total insurance in force (dollar in thousands - crop year data).	24,613,400	30,826,000
	Total number of crop insurance policies in force (in thousands - crop year data).	1,348	1,285
	Increase agricultural producers' awareness of risk management alternatives.		
	Number of producers attending risk management courses.	30,000	21,036
	Increase the number of agricultural producers that utilize risk management alternatives.		
	Number of risk management education sessions being coordinated or facilitated.	750	582
	Reduce program vulnerabilities.		
	Crop insurance loss ratio (crop year data).	1.075	0.93
	Total error rate (total of misrepresentation, program vulnerabilities, and unintentional errors).	4.83%	3.95
	Rate of erroneous payments (misrepresentation).	0.11%	.05%
	Rate of program vulnerability.	1.10%	.26%
	Rate of program delivery error (un-intentional errors).	3.63%	3.65%
	Number of audit recommendations which are not completed timely.	19	19
	Percent of material Federal Managers' Financial Integrity Act (FMFIA) deficiencies which are not corrected timely.	0%	0%
	Percent of program goals and services with actual costs aligned.	100%	100%

Goal 1: To strengthen the safety net for agricultural producers through sound risk management programs and education.

Objective 1.1: Producers have economically-sound risk management tools available to meet their needs.

Key Performance Goal

Expand risk management tools available for producers.

Number of insurance plans available (crop year* data).

Target: 103

Actual: 138

Total crop insurance premium (dollars in thousands-crop year* data).

Target: $1,808,390

Actual: $2,315,000 Preliminary Data

Percent of net cropland acres insured to net cropland acres available for insurance (crop year* data).

Target: 62.9%

Actual: 73% Preliminary Data

Total insurance in force (dollars in thousands-crop year* data).

Target: $24,613,400

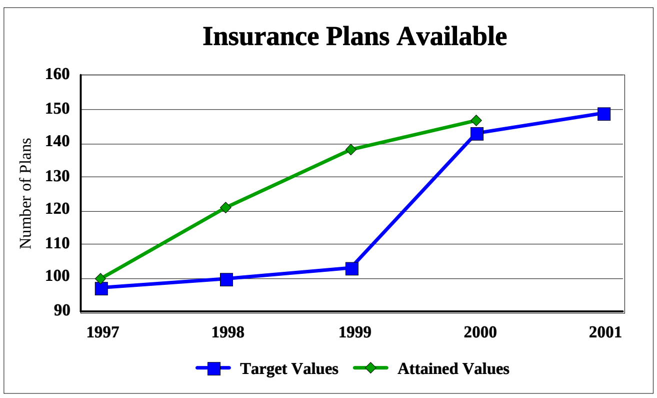
Actual: $30,826,000 Preliminary Data

Total number of crop insurance policies in force (in thousands-crop year* data).

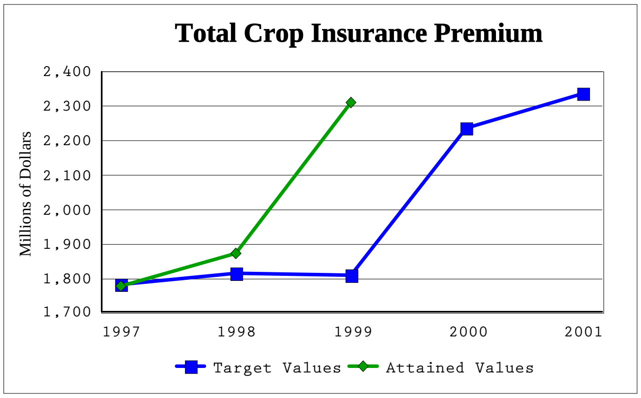
Target: 1,348

Actual: 1,285 Preliminary Data

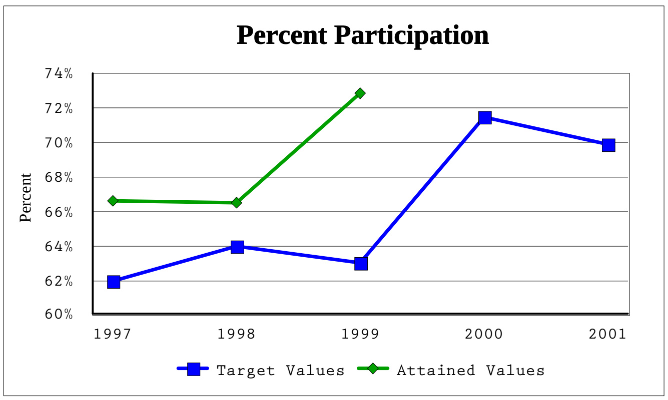
*As defined in the Revised 2000 and 2001 Annual Performance Plan



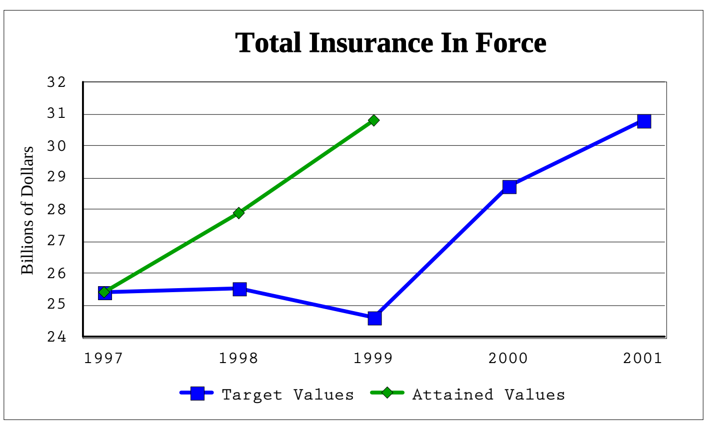
Crop Year	Target	Attained	Percent Change
1997	97	100	3%
1998	100	121	21%
1999	103	138*	34%
2000	143		
2001	149		



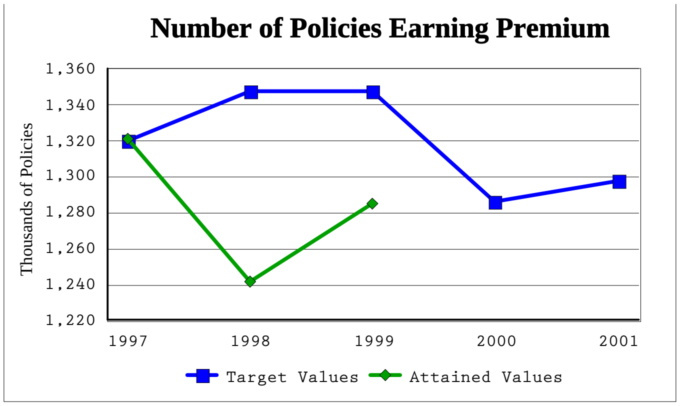
Crop Year	Target (1,000s)	Attained (1,000s)	Percent Change
1997	1,780,000	1,774,557	0%
1998	1,814,000	1,873,442	3%
1999	1,808,390	2,315,000*	28%
2000	2,235,700		
2001	2,339,700		



Crop Year	Target	Attained	Acres Insured (1,000s)	Acres Planted (1,000s)	Percent Change
1997	61.6%	67%	182,019	273,100	8%
1998	63.8%	67%	181,660	273,100	4%
1999	62.9%	73%*	196,278	269,300	16%
2000	71.5%			267,600	
2001	69.9%			267,500	



Crop Year	Target (1,000s)	Attained (1,000s)	Percent Change
1997	25,399,000	25,446,615	0%
1998	25,561,600	27,903,182	9%
1999	24,613,400	30,826,000*	25%
2000	28,754,900		
2001	30,840,600		



Crop Year	Target (1,000s)	Attained (1,000s)	Percent Change
1997	1,320	1,321	0%
1998	1,348	1,242	-8%
1999	1,348	1,285*	-5%
2000	1,286		
2001	1,298		

* As of the 12/15/99 Summary of Business Report.

1999 Data: RMA maintains two integrated data processing systems to receive and validate data transmitted by reinsured companies. These data are the bases to determine the liability and premium of the producers' insurance policies and resultant expense reimbursement to reinsured companies. Together the processing systems provide RMA with a mechanism to ensure that data received is accurate, that errors are corrected timely, that information contained in RMA's databases and on monthly accounting reports submitted by the companies is accurate, and appropriate entries are made in the financial accounting systems. The databases are used in rating analyses, underwriting activities, statistical analyses, and management reporting. A report example is the crop insurance Summary of Business Report, which is the year-to-date cumulative summary of the crop insurance industry's business. This report is utilized for performance measures in RMA's Strategic Plan and Annual Performance Plan. In addition to data validations, reinsured companies and RMA's Compliance Division conduct field verification reviews. RMA believes that the checks and balances performed by the RMA data processing systems, the RMA Compliance Division, and reinsured companies assures the quality and reliability of its data.

Although data reporting is not entirely complete for the 1999 crop year, analysis has shown that by the first of November of the crop year, 99.70 percent of the crop insurance premium and 99.82 percent of the total insurance in force (liability) have been reported. Final settlement of reimbursement expenses to the reinsured companies will begin in February, 2000. As a result, final data for the 1999 crop year should be complete by November, 2000. However, there can be small increases or decreases in the acres, liability, and premium reported on these crop insurance policies due to adjustments made during reviews or appeals after the first year. As a result, attained values may be changed in the performance indicators as the Summary Of Business report is updated with current data.

Analysis of Results: RMA has successfully achieved and is deeply committed to meeting the agency's performance goals and objective 1.1 as is evidenced by the outcome of traditional crop insurance indicators. To strengthen the safety net for agricultural producers through sound risk management programs and education, RMA has developed, managed, and ensured delivery of a variety of products to help producers protect themselves from yield risks, market risks, or both. RMA achievements in providing producers with choices in the risk management tools are measured by the following indicators:

The number of insurance plans available to producers increased by 17 (a 14 percent increase from 121 insurance plans for the 1998 crop year, to 138 insurance plans for the 1999 crop year), reflecting the largest increase in new programs in the Agency's history. The 138 insurance plans available for the 1999 crop year exceeded the target of 103 insurance plans by approximately 35 percent. For the 1999 crop year, new pilot programs were implemented for cabbage, cherries, crambe, cultivated wild rice, mustard, rangeland, watermelons, and winter squash (all commodities not previously insured). In addition, new insurance plans were implemented for previously insured crops including avocados (Actual Production History plan), barley (Income Protection plan), corn (Indexed Income Protection plan and Group Risk Income Protection plan), a revised nursery program with a broadened scope to include in-ground plants as well as containerized plants, rice (Crop Revenue Coverage plan), soybeans (Indexed Income Protection plan and Group Risk Income Protection plan), and wheat (Revenue Assurance plan). RMA also implemented a pilot Adjusted Gross Revenue (AGR) program which covers approximately 76 agricultural commodities that do not have individual multiple peril crop insurance programs. AGR is listed as one insurance plan in this report. These increases, coupled with the removal of the barley Group Risk Plan (GRP) plan beginning with the 1999 crop year, result in a net increase of 17 insurance plans for the crop year. In addition to developing programs for new crops and new alternatives for existing crops, RMA has continued to expand the availability of existing programs to new counties and States. This significant increase in the number of new risk management tools available to producers is a direct measurement of the success of RMA in exceeding performance goal 1, which is to expand the risk management tools available to producers.

The total crop insurance premium for the 1999 crop year exceeded the target by approximately 28 percent, representing a very significant 24 percent increase over the previous year. Total crop insurance premium is the combined dollar amount paid by producers (producer-paid premium) and the Federal Government (premium subsidy) for insurance premiums under the Federal Crop Insurance program. Because insurance premium rates are higher for higher coverage levels, additional insurance options, and other program enhancements selected by producers, this program indicator provides a measurement of meeting producers' needs by the purchase of such enhancements and the additional premium expense incurred. Producers also have the ability to reduce their coverage to lower levels or cancel options and other enhancements to maintain approximately the same out-of-pocket cost incurred in previous years. Total crop insurance premiums are also impacted by individual producers' changes in crops, insured shares, and insured acreage.

For the 1999 crop year an approximately 30 percent premium reduction was made available to producers through the 1999 budget legislation. As a result, producers converted approximately 100,000 crop insurance policies from the lower catastrophic level in 1998 to higher buy-up coverage levels in 1999. This indicates a number of producers who were able to more satisfactorily meet their needs through higher levels of coverage. At the catastrophic level of insurance the entire premium amount is subsidized, a producer who elects to increase to a higher level of coverage will incur an increase in producer-paid (out of pocket) premium. The success of the premium reduction and the subsequent conversion to buy-up coverage levels is evidenced in actual value of this performance indicator (total crop insurance premium) for 1999.

In addition, premium discounts were made available to farmers whose crops had suffered multiple outbreaks of fusarium head blight (scab) and/or vomitoxin during 1994-1998. Coverage levels at 80 and 85 percent were offered for spring wheat and barley in Minnesota, North Dakota, and South Dakota; and an 85 percent spring wheat Income Protection (IP) pilot plan was offered in "spring wheat only" counties in Minnesota, North Dakota, South Dakota, and four counties in Montana. These premium reductions and program enhancements also attracted new producers to the program, which would likewise result in increased total crop insurance premium. This performance indicator is also positively impacted by the additional number of insurance plans available to producers as identified in Performance Indicator 1, Number of insurance plans available. These new insurance plans result in both new insureds to the program as well as new crops or plans being insured by existing insureds, and consequently an increase in total crop insurance premiums. Risk management education efforts directed toward accomplishing performance goal 2 "Increase agricultural producers' awareness of risk management alternatives" and performance goal 3 "Increase the number of agricultural producers that utilize risk management alternatives," have also positively impacted the awareness of producers in the importance of considering risk management tools to stabilize their operations. These factors played a major role in the approximately 28 percent increase in attained total crop insurance premium over the target.

The Percent participation for the 1999 crop year exceeded the target by approximately 16 percent, representing a significant 9 percent increase over the previous year. Percent participation is determined by dividing RMA's net acres insured (of the principal crops, other than hay, as reported by National Agricultural Statistics Service [NASS]) by the total U.S. planted acres of principal crops (other than hay) as reported by NASS. As previously indicated, this performance indicator is also positively impacted by the additional number of insurance plans available to producers. Likewise, this performance indicator is positively impacted by the additional premium discounts, program enhancements, and risk management education efforts discussed in Performance Indicator 2 above.

Performance indicator, Total insurance in force, for the 1999 crop year exceeded the target by approximately 25 percent, representing a significant 10 percent increase over the previous year. Total insurance in force is the amount of liability (or value of insurance in force) for all producers participating in the federal crop insurance program. Total insurance in force is positively impacted by the increase in the number of insurance plans available, the additional premium discounts, program enhancements, and risk management education efforts discussed in Performance Indicator 2 above.

The number of insurance policies in force (number of policies earning premium) for the 1999 crop year reflects a shortfall of approximately 5 percent from the target number, although the attained value represents an approximate 3 percent increase over the previous year. The number of policies earning premium is determined from the actual number of crop insurance policies that have reported acreage and have premium earned for the crop year. While there is a shortfall in the number of policies attained as compared to the target, the number of buy-up policies has increased. Thus, RMA believes the indicator is not a significant performance measure. The number of policies earning premium is positively impacted by the increase in the number of insurance plans available, the additional premium discounts, program enhancements, and risk management education efforts discussed in Performance Indicator 2 above.

Review of preliminary data for the performance goal indicator 1, Insurance Plans Available, indicates that RMA has exceeded the target goals established in the FY 1999 Annual Performance Plan. As a result, RMA has revised the target goal for FY 2000 and 2001. The targets for 2000 and 2001 have been revised to reflect the actual performance attained for 1999 plus the previously reported target increases.

In addition, beginning with FY 2000, RMA will redefine the performance indicator 3, Percent of net cropland acres insured to net cropland acres available for insurance to: Percent Participation, defined as the percent of planted acres of principal crops as reported by NASS (other than hay) that are insured. This change will provide a quantifiable benchmark, whereas percent of net cropland acres available for insurance is difficult to measure. Performance indicator 5, Total Number of Policies In Force is being removed as a performance indicator under performance goal 1, and is being transferred to objective 1.2, “Increase the number of agricultural producers that utilize risk management alternatives.” This indicator is also being revised beginning with FY 2000 to: Number of policies Earning Premium. This change provides a more accurate description of the data that is being measured.

Current Fiscal Year Performance: Because RMA's number of insurance plans for the 1999 crop year significantly exceeds the target of 103 plans, RMA is revising the target for the 2000 crop year to 143 insurance plans, and is revising the target for the 2001 crop year to 149 insurance plans.

In accordance with the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act for the Fiscal Year Ending September 30, 2000 (Public Law HR 1906), the Secretary of Agriculture authorized funds for the Federal Crop Insurance Corporation (FCIC) to assist producers in purchasing crop insurance or to increase coverage of their crop insurance policies. However, because additional premium subsidies have not been authorized beyond the 2000 crop year, target levels in all other RMA performance indicators for FY 2001 may require future revisions to decrease target levels.

Program Evaluations: Evaluations and reviews reported in this performance report are conducted by RMA's Compliance Division and are described in Objective 1.3.

Objective 1.2: Increase the agricultural community's awareness and effective utilization of risk management alternatives.

Key Performance Goals

Increase agricultural producers' awareness of risk management alternatives.

Number of producers attending risk management education courses.

Target: 30,000
Actual: 21,036

Increase the number of agricultural producers that utilize risk management alternatives.

Number of risk management education sessions being coordinated or facilitated.

Target: 750
Actual: 582

Year	Percent of Goal	Actual Number of Producers	Target Number of Producers	Percent of Goal	Actual Number of Sessions	Target Number of Sessions
1998			14,500			365
1999	70%	21,036	30,000	78%	582	750
2000			12,300			600
2001			12,500			600

1999 Data: The 1999 data is final. Information regarding the number of producers attending risk management education (RME) courses and the number of RME sessions being coordinated or facilitated was provided by the RMA, Regional Offices (RO's) through September 30, for the previous fiscal year. The actual numbers reflect only the producers attending courses and reflect only the RME sessions that were coordinated, facilitated or funded by the RO's and do not reflect any producers that attended RME courses and do not reflect RME sessions that were coordinated, facilitated or funded by public or private-sector education partners. RMA is aware through coordination activities with the RO's and the public or private-sector education partners that collection procedures for these data are not consistent from State to State. RMA is currently working, in cooperation with the RO's, to improve collection procedures to ensure federal consistency of future data tabulation and analysis.

Analysis of Results: Although the number of producers attending RME courses of 21,306 did not meet the target of 30,000 for FY 1999, and the number of RME sessions coordinated or facilitated of 582 did not meet the target of 750 for FY 1999, they did remain constant from the previous year data. Both, the total number of producers attending RME courses and the total number of RME sessions have been steadily increasing since 1997. Limited funding for RME activities in FY 1999, significantly reduced the number of producers that could be reached and reduced the number of RME sessions that could be coordinated.

With low commodity prices for the 1998 and 1999 crop years, producers are searching for sources and solutions to help manage price risk. Producer attendance at RME courses is an indication of their desire to increase awareness of risk management alternatives to help choose the most effective risk management tools to meet their individual needs. RMA's review of the structure and content of the RME courses held during FY 1999 have indicated a need for a standardized curriculum with variances for different crops and farming methods in the U.S.

The 1996 Fair Act, in section 191, authorized the Secretary of Agriculture to conduct pilot programs which help producers learn to use futures and options markets for price risk management. RMA's Dairy Options Pilot Program (DOPP) is the first of these programs. During FY 1999, it has provided dairy farmers in selected pilot areas with hands-on opportunities to learn to use options markets for price risk management. During Round I of DOPP, for the 7 pilot States, 1,450 producers registered and completed the training. This number represents 35% of those who could have participated in the program. In addition, some producers attended the training, but chose not to register; others pre-registered but did not attend training; while others attended the training, but chose not to participate in the program by buying put options.

The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (Public Law 105-277), authorized $2.375 billion to assist farmers suffering from crop and economic losses. The Secretary of Agriculture approved a portion of these funds for the Federal Crop Insurance Corporation (FCIC) to offer an incentive to purchase crop insurance or to increase coverage. This incentive was expected to pay approximately 30 percent of the producer-paid premium. The exact percentage cannot be determined at this time because it depends upon the number of producers who eventually sign-up for this benefit. Public and private-sector education partners were contacted to help notify producers of this opportunity.

The FY 1999 annual performance plan did not contain additional measures for the objective of "Increase agricultural producers' awareness of risk management alternatives", however RMA analyses determined that additional measures did contribute appreciably to the measurement of program performance and will be included for FY 2000. Additional performance indicators will be used to measure this performance goal in FY 2000. The performance indicator using the number of RME courses coordinated did not adequately measure the number of producers utilizing risk management alternatives. The number of RME courses does contribute to the measurement of increasing producers' awareness of risk management alternatives. This indicator will be moved to be used with this goal in FY 2000. Risk management clubs, involving producer members who meet regularly for experimental learning activities, will be able to focus on the needs and skill levels of their members. The number of producers participating in the clubs would measure an increase in risk management awareness. The number of DOPP courses coordinated would help measure the number of producers attending the information courses and learning about the use of dairy put options as a form of price risk management. This program will be limited to FY 2000 due to funding and program limitations.

The FY 1999 annual performance plan contained only one measure for the goal of "Increase the number of agricultural producers that utilize risk management alternatives", however, RMA 's analyses has determined that this measure "Number of risk management education sessions being coordinated or facilitated" did not contribute appreciably to the measurement of program performance and is being moved to another goal for FY 2000. It has also been determined that additional measures would contribute to the measurement of program performance and will be used for FY 2000. Dairy producers participating in the DOPP program by purchasing dairy put options would indicate an increase in the number of dairy producers using dairy put options as a form of price risk management. This program will be limited to FY 2000 due to funding and program limitations. The performance indicator "number of policies in force" previously used under performance goal 1, is being moved to be used under this goal. The number of producers using crop insurance as a tool to manage production risk does measure the use of crop insurance as a risk management alternative.

RMA's sponsorship of the FFA Risk Management Writing Contest resulted in over 200 FFA members nationwide participating in the contest. This effort involved not only the FFA members, but family members as well. The number of FFA members becoming aware of risk management alternatives through the encouragement of the agricultural education instructor cannot be measured.

Description of Actions and Schedules: Final data indicates that the target of 30,000 producers attending RME courses and the target of 750 RME sessions being coordinated or facilitated was not achieved. The use of the new performance indicators in FY 2000 will help to achieve the goal of increasing agricultural producers' awareness of risk management alternatives and the goal of increasing the number of agricultural producers that utilize risk management alternatives. Reduced FY 2000 and FY 2001 RME funding will be focused toward developing a standardized curriculum and using producer-based groups to present the curriculum to producers, fostering risk management clubs, establishing Internet learning modules, and promoting formalized agriculture education activities.

Current Fiscal Year Performance: Due to budget constraints and other priorities, limited funding for RME activities in FY 2000, has significantly reduced the number of producers that could be reached and also reduced the number of RME sessions that could be coordinated. FY 2000 performance for RMA has been consistent and predictable due in part to the educational partnering efforts with the USDA, Cooperative, State, Research, Education & Extension Service (CSREES) and private-sector education partners. Partnering between the RO's and the land grant universities have helped form RME teams in each State committed to promoting RME activities for producers. FY 2000 funding will focus on the development of a standardized RME curriculum and the sponsorship of risk management clubs and marketing clubs organized by public and private-sector education partners. Request For Proposal (RFP) RME projects funded by RMA in FY 1998 and implemented in FY 1999 have increased the number of RME opportunities available to producers, but due to budget limitations, were not funded in FY 1999 and FY 2000. The partnership with the National FFA Foundation resulted in the RMA sponsorship of the FFA Risk Management Writing Contest in FY 1998 and will continue in FY 2000. The National Ag Risk Education Library initiative is jointly led by RMA, the CSREES, the University of Minnesota, and the Commodity Futures Trading Commission (CFTC). The initiative relies strongly on the involvement of private sector entities interested in educating producers about risk management and new risk management tools. The intent of the National Ag Risk Education Library is to help both producers and agricultural professionals quickly locate information, tools, and assistance relevant to specific risk management topics. The National Ag Risk Education Library currently has over 1,100 risk management topics available online for use. During FY 1999 over 21,000 people have visited the site. Producers and agricultural professionals are encouraged to visit the National Ag Risk Education Library website at www.agrisk.umn.edu/ . Bookmarks were developed and printed with information on the National Ag Risk Education Library website. These bookmarks have been provided to many of the public and private-sector education partners to distribute to producers. Outreach projects during FY 2000 will target providing RME opportunities to small and limited resource producers. FY 2000 funding will allow joint projects with the RMA Office of Civil Rights to target additional small and limited resource producers to increase the awareness and use of risk management tools. RMA will continue to monitor performance progress quarterly and take necessary and appropriate actions in the event performance is less than expected.

For Round II, during FY 2000, DOPP will be expanded to a total of 32 milk producing States and will reach 61 new counties. An assessment of Round I of DOPP, revealed that many of the objectives for the program were reached. However, participation was less than expected. The assessment also revealed the need for several program changes. Although most of the basic features of DOPP continue in Round II, several changes have been made in response to conclusions from an analysis of Round I. These changes are expected to raise participation, enhance DOPP's educational benefits, and provide better information to RMA for determining whether dairy put options contracts can provide producers with reasonable protection from the financial risks of fluctuations in price that are inherent in the marketing of dairy products. RME sessions and DOPP producer information meetings are listed on the internet and can be viewed by visiting the RMA website at www.rma.usda.gov/ .

RMA has continued to expand the availability of existing programs to new counties and States. This significant increase in the number of new risk management tools available to producers is a direct reflection on the success of RMA in exceeding performance goal 1, to expand the risk management tools available to producers. This increase in the number of tools available also increases the number of producers that utilize risk management alternatives.

Due to the funds from the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (Public Law 105-277), authorizing FCIC to offer an incentive to purchase crop insurance or to increase coverage, over 91,000 producers during FY 1999 elected to increase their crop insurance coverage levels. Approximately 43,000 producers purchased new policies for the first time at the higher coverage levels. For FY 2000, the Secretary of Agriculture announced that an estimated 25 percent crop insurance premium reduction will take effect for the 2000 crop year. To ensure that all producers had the opportunity to take advantage of this incentive, USDA reopened the sign-up period for crops for which the crop year 2000 sales closing date had passed. This action would increase in FY 2000 the number of producers using crop insurance as a tool to manage production risk.

Program Evaluations: Due to budget constraints, none were not conducted in FY 1999.

Objective 1.3: Improve program integrity and protect taxpayers' funds.

Key Performance Goal

Reduce program vulnerabilities

Crop insurance loss ratio (crop year data).
- **Target:** 1.075
- **Actual:** 0.93

Total error rate (total of misrepresentation, program vulnerabilities, and unintentional errors).
- **Target:** 4.83%
- **Actual:** 3.95%

Rate of erroneous payments (misrepresentation).
- **Target:** 0.11%
- **Actual:** .05%

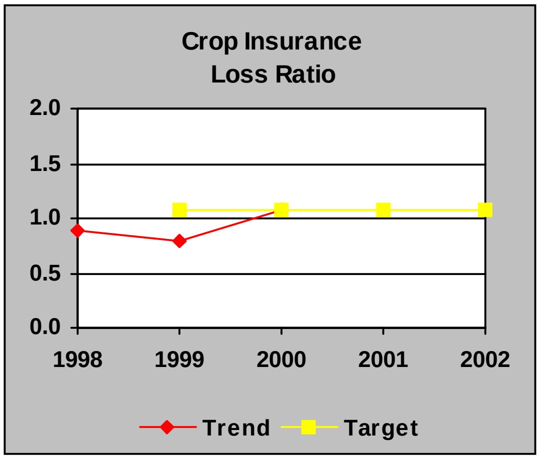
Rate of program vulnerability.
- **Target:** 1.10%
- **Actual:** .26%

Rate of program delivery error (un-intentional errors).
- **Target:** 3.63%
- **Actual:** 3.65%

Number of audit recommendations which are not completed timely.
- **Target:** 19
- **Actual:** 19

Percent of material Federal Managers' Financial Integrity Act (FMFIA) deficiencies which are not corrected timely.
- **Target:** 0%
- **Actual:** 0%

Percent of program goals and services with actual costs aligned.
- **Target:** 100%
- **Actual:** 100%



Crop Year	Actual	Target
1998	0.89	0.89
1999	0.93	1.075
2000		1.075
2001		1.075
2002		1.075

1999 Data: The Baseline Error Rate Review (BERR) is an annual review process designed to establish a Multiple Peril Crop Insurance (MPCI) baseline error rate. The review process, which commenced in fiscal year 1998, includes randomly selected policies for review, identifying errors, and projecting error results nationwide. The fiscal year 1998 BERR results, in which 200 crop year 1997 policies were reviewed, resulted in an 4.83% error rate, as reflected in the Agency's Annual Performance Plan. The fiscal year 1999 BERR results, in which 200 crop year 1998 policies were reviewed, resulted in an 3.95 total error rate, .05% rate of erroneous payments (misrepresentation), .26% rate of program vulnerability, and a 3.65% rate of program delivery errors (un-intentional). Once the BERR has been conducted for 3 consecutive years, an average baseline rate will be established against which program performance will be evaluated by RMA.

The open audit recommendations data was obtained from the Agency's audit tracking system, and was reviewed for accuracy. For the FMFIA data, there was one open FMFIA weakness at the beginning of the fiscal year. During the fiscal year, actions were taken to resolve the weakness and no new weaknesses were report. Multiple systems are in place to measure performance in each of these areas all of which provide accurate, reliable, and current information enabling RMA managers to make informed, timely decisions regarding the long-term and short-term strategic direction of the Agency.

Analysis of Results: This objective was met for fiscal year 1999. The 1999 loss ratio for the crop insurance program shows RMA has been successful in keeping the cost to the taxpayer lower than the premium paid by producers for insurance coverage. This can be partially attributed to an improvement in the integrity of the program as shown by the 1999 total error rate being lower than the1998 error rate, no outstanding FMFIA material weakness in 1999, actions taken as result of Compliance Reviews, a limited number of open Office of Inspector General (OIG) and General Accounting Office (GAO) audit recommendations, and the agency's program goals and services being 100% aligned with actual costs.

Current Fiscal Year Performance: The actual performance levels for fiscal year 1999 are not anticipated to have any impact on estimated levels of performance for fiscal year 2000.

Program Evaluations: The Agency relies on a variety of internal and external assessments and reviews to evaluate Agency performance. Internal assessments such as the annual BERR, and Manual 14 quality control reviews of reinsured companies, and FMFIA weaknesses are conducted by RMA's Risk Compliance Division. The loss ratio is examined throughout the year by monitoring the inflow (e.g. premiums) and outflow of monies (e.g. indemnities) to ensure the legislatively mandated loss ratio is not exceeded.

In addition, OIG and GAO conduct surveys, audits, reviews, and investigations encompassing a myriad of RMA programs and administrative functions. GAO recently completed an audit on RMA's methodology for estimating errors, and issued on September 22, 1999, the following report, "GAO/RCED-99-266, USDA Needs a Better Estimate of Improper Payments to Strengthen Controls Over Claims". GAO stated in the report,

> "... the agency's methodology for estimating errors was questionable in several respects. Specifically, the estimate was based on an inadequate sample size and did not include the results of timely, on-site reviews to detect errors resulting from fraud.

GAO recommended:

> "... that the Secretary of Agriculture require the Administrator of the Risk Management Agency to evaluate the costs of alternative methods for developing more accurate estimates of error rates for claims payments and implement an alternative that would improve the estimate at a reasonable cost to the federal government. Alternatives that could be considered include (1) having the Risk Management Agency sample and analyze a sufficient number of claims to make an estimate and (2) using the claims sampling done by the insurance companies under the quality control program to make the estimate."

RMA is in general agreement with the findings in the GAO report, and their recommendation to improve the estimates of error rates for claims payments. RMA believes its efforts to evaluate companies' quality control programs, and our current initiative to provide companies with an improved means of determining if their internal controls are working effectively, can be enhanced to meet GAO's concerns. If this action is acceptable to GAO, RMA will discontinue the BERR process and reallocate its resources to conducting enhanced annual Manual 14 reviews of each private insurance company's quality control program. The first year application of this approach is expected to be completed early in 2000. Like the BERR process, once the Manual 14 review process has been conducted for 3 consecutive years, an average baseline will be established against which program performance will be evaluated by RMA.

Copies of internal and external evaluations can be obtained from the Office of the Deputy Administrator for Compliance.